CBCNEWS

Family debt-to-income ratio hits record

Debt rises 78% in 20 years, to an average of $100,000

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The average family debt-to-income ratio in Canada has now hit a record 150 per cent, the Vanier Institute of the Family said Thursday.

The Vanier Institute of the Family report says the average Canadian family debt has reached $100,000. (Ryan Remiorz/Canadian Press)

That means for every $1,000 in after-tax income, Canadian families owe $1,500, the institute said, while releasing its 12th annual assessment of Canadian family finances.

It found the average family borrowing — including mortgage debt — now totals $100,000.

The Ottawa-based institute, which describes itself as a national research and educational organization committed to the well-being of families in Canada, said the debt-to-income ratio has been steadily climbing for the past 20 years.

The author of the study, Roger Sauvé, suggested that in 1990, average family debt stood at $56,800, with a ratio of 93 per cent. The $100,000 figure represents an increase — accounting for inflation — of 78 per cent over the past two decades.

The average mortgage in 2010 was $171,500. Mortgage debt averaged for all households, including those without mortgages, is $63,126.

At the same time, the report said, the savings rate has slid. In 1990, Canadian families managed to put away $8,000, a savings rate of 13.0 per cent. In 2010, the savings rate fell to 4.2 per cent, averaging $2,500 per household.

"Even though standard economic indicators tell us the recession is technically over, the confidence Canadian families have in their economic and financial situation is shaky," said Katherine Scott, the institute's director of programs.

"As governments at all levels craft their budgets for the coming year and look at cutting programs to reduce their deficits, they need to be mindful that the state of Canadian family finances continues to be fragile in many households," said Scott.

Mortgage delinquencies up 50%

The report suggested the number of households behind in their mortgage payments by three or more months climbed to 17,400 in the fall of 2010, up nearly 50 per cent since the recession began.

And credit card delinquency and bankruptcy rates also remained higher than pre-recessionary levels.

If the government implements recommendations from the federal Task Force on Financial Literacy, it said, families will have access to new resources to help better manage their financial situation.

The report warned that the unemployment rate might rise as workers who dropped out of the labour market attempt to jump back in, and as those who are working part-time hours — over 900,000 workers — seek full-time work.

In particular, it said, families with younger members preparing to enter the workforce face tremendous pressure. Only five per cent of the new jobs created since mid-2009 went to the 15-24 age group.

"While in aggregate numbers, almost all of the jobs lost during the recession have returned," Sauvé said.

"But the hidden reality is that those who lost their jobs are often not the ones who are landing the new ones. And many are finding work that doesn't pay what their old jobs did."